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STATEMENT

IN REGARD TO

THE CANADIAN GOVERNMENT

AND

THE CANADIAN PACIFIC RAILWAY,

SUBMITTED TO THE SENATE COMMITTEE ON INTERSTATE COMMERCE

BY

JOSEPH NIMMO, ~~Jr.,~~ (1837-1909)

APRIL, 1890.

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The following statement from Mr. Joseph Nimmo, jr., was submitted at the request of the committee:

STATEMENT OF JOSEPH NIMMO, Jr.

By way of introduction to this large and complex subject, I would invite the attention of the committee to the important fact that the Canadian Government differs radically from the Government of the United States with respect to its relation to the subject of transportation and commerce. For the last fifty years the Canadian Government has been closely allied to the transportation interests of Canada, and that Government is to-day not only a large owner of canals and railroads, but it also exercises a control over the operations of its transportation lines, with respect not only to commercial but to political objects.

On the other hand, the Government of the United States, as you are well aware, has confined itself almost entirely to the regulation of railroads, and has never become an owner or practical manager of the subject of transportation, leaving those matters to the interaction of commercial forces. A proper appreciation of this distinction, is, in my opinion, vital to a correct understanding of the whole subject of the relations of Canada to the United States. And now I will proceed to state to you in a general way the interests which the Canadian Government has in transportation.

CANADA'S INTEREST IN TRANSPORTATION.

About the time when the State of New York embarked in the work of constructing the Erie Canal, the Dominion of Canada began the construction of its system of canals connecting Lake Erie with ocean navigation at the port of Montreal. This was accomplished by the construction of the Welland Canal, which overcomes the fall between Lake Erie and Lake Ontario; and the system of St. Lawrence River canals which overcomes the rapids in the St. Lawrence River between Kingston and Montreal.

I will also remark here that from the beginning the Dominion of Canada and Great Britain have had direct interest in transportation lines with reference to military objects. While the systems of canals of which I have just spoken were being constructed, an interior line of navigation, known as the Ottawa and Rideau canal system, was constructed between Montreal and Kingston, mainly for military purposes, as the St. Lawrence Canal was too much exposed to an attack from the United States.

The canal system of Canada cost a little over $52,000,000, and it is still owned and operated by the Dominion Government. As we follow the history of Canada we shall discover the fact that her Government is as much a commercial and transportation corporationas a political corporation.

That is an important fact and one which muet be kept in mind all the way through. In my opinion it is the most important characteristic of the Dominion Government, in so far as relates to the question of the relations of Canada to the United States.

CANADA'S INTEREST IN RAILROADS.

I will next mention to you the interests which Canada has in railroads.

Up to the year 1867 the several British North American provinces were entirely independent of each other. The political bond be-

tween them was their common relations to the British Government. During the civil war in this country the question of the political union of these provinces and the project of connecting them by government railroads was agitated both in Canada and in Great Britain, and in so far as I have been able to comprehend the subject, it has seemed to me to be part and parcel of the general spirit of opposition which at that critical period was manifested by Great Britain and Canada toward the maintenance of the Union of the States.

By an act of the British Parliament of March 29, 1867, known as the British North American act, the several colonies, excepting Newfoundland and Prince Edward Island, became united as the Dominion of Canada. One of the conditions under which this union was effected was that a railroad should be built by the Dominion Government connecting the provinces of Ontario, Quebec, Nova Scotia, and New Brunswick. This road was accordingly built by the government. Its main line extends from Point Levis, opposite Quebec, to Halifax. It pursues quite a circuitous route. The cost of the intercolonial railway system was about $46,000,000. That system is still owned and operated by the Dominion Government. Commercially it is a non-paying enterprise.

According to the report for the latest year the cost of operating the system was $232,106 in excess of the receipts.

THE CANADIAN PACIFIC RAILWAY.

But the most important railroad enterprise in which the Dominion Government is interested is the Canadian Pacific. The scheme of constructing a Canadian railroad across the continent is said to have been first suggested thirty or forty years ago, but it did not assume a practical shape until during our civil war. The definite plans for construction were finally determined upon about the year 1867, the year in which the Dominion Government was inaugurated. The date of the inauguration of that Government was July 1, 1867. That day is celebrated every year in Canada as "Dominion Day."

The construction of the Canadian Pacific Railroad is so closely identified with the present administration of government affairs in Canada that I will turn aside here to make a general statement to the committee in regard to that government.

CONSTRUCTION OF THE CANADIAN PACIFIC RAILWAY.

Sir John A. Macdonald, the present Premier of Canada, was the political leader of the plan of confederation, which embraced not only the political union of the provinces, but their commercial union, by means of railroad construction. As before remarked, one of the fundamental principles of this scheme was the construction of the Intercolonial Railway. The other was the construction of the Canadian Pacific Railway. The Macdonald party saw that the natural affinities of trade of all the colonies were with the United States. This they resolved to overcome by means of railway construction, and thus to hold the provinces in their allegiance to Great Britain.

Sir John Macdonald's party assumed control of the affairs of the Dominion at the time of the inauguration of that government, July 1, 1867. The Canadian Pacific Railway was soon afterwards begun as a government road, but in the course of a few years difficulties arose, and in consequence of a public scandal concerning the financial management of the enterprise, Sir John Macdonald was driven from power in 1873.

But in 1878 he triumphantly returned to power upon the original issue of constructing the Canadian Pacific Railway, and his party has remained in power ever since.

In consequence of public prejudice which had arisen in connection with the attempt of the government to construct the road, its construction was assigned to a private corporation, the Canadian Pacific Railway Company, which corporation in all things touching questions of commercial and political policy has been and still is the *alter ego* of the Dominion Government. All that had been done in the way of construction of the road was at once turned over to the Canadian Pacific Railway Company as a gift. The portions of the completed line, which had cost $35,000,000, were thus donated to the Canadian Pacific.

The total value of aids of various sorts extended to the Canadian Pacific by the Dominion Government is stated in the following table:

Revised estimate of gifts from the Dominion Government to the Canadian Pacific Railway Company, and securities which that company has been enabled to float (stock and bonds) as the result of the Dominion guaranty and the land grant of 25,000,000 acres of land.

(1) Cash subsides as follows:	
(a) Subsidy of $25,000,000 mentioned in section 3 of act of February 13, 1881.	
(b) 714 miles of railroad constructed by the Dominion Government, costing $35,000,000, which was presented to the Canadian Pacific Company as a gift, with interest, to June 30, 1887 (see public accounts of Canada for 1867)	$61,760,785
(2) Capital stock originally $100,000,000, but reduced to $65,000,000, with a minimum dividend of 3 per cent. guaranteed for ten years (see Poor's Manual)	65,000,000
(3) During the session of Parliament of 1884, the Dominion Government authorized a loan to the company of $29,880,912, to be paid as the work of construction progressed, and for the purpose of expediting construction. This consisted of $9,880,912 secured by lien on the entire road and land grant, subject to the then outstanding land-grant bonds; also Government bonds to the amount of $20,000,000, which was exchanged for a like amount of the company's loan of $35,000,000, which had been issued in the place of the $35,000,000 of original stock which had been retired (see sec. 4, act 20th July, 1885)	29,880,912
(4) Balance of $35,000,000 loan after deducting $20,000,000 placed in the hands of the Government in order to secure the $20,000,000 bonds above mentioned	15,000,000
(5) Land-grant bonds issued by the company as a lien upon the lands which it acquired by gift of the Dominion	25,000,000
(6) Bonds, interest guarantied by the Dominion for fifty years at 3½ per cent. issued to the company for the purpose of remunerating it for the loss of its relinquishment of the monopoly of railroad building in Manitoba	15,000,000
(7) Subsidy of $186,000 a year for twenty years for a line through the State of Maine	3,720,000
Total	215,361,697

Of this sum about $105,000,000 may be classed as cash and gifts available as cash, and $110,000,000 as guaranties of securities.

According to the balance sheet of the company for December, 1888, the total cost of the road, and its equipment, plant, materials, and supplies was $167,093,895. The total stock, bonded debt, and current liabilities of the company on the same day, amounted to $131,350,019. From this it appears that the various aids received from the Government at their par value were $48,267,802 in excess of the cost of the road, and $84,011,678 in excess of its liabilities.

DOMINION AIDS TO THE CANADIAN PACIFIC RAILWAY.

In order to give you a clear idea of the interest which the Canadian Government has in the Canadian Pacific as a commercial and political enterprise, I have prepared for you the following schedule of gifts, guaranties, exemptions, concessions, and franchises granted to the company by the Dominion Government:

(*a*) Direct gifts of money, land grant, and other privileges which have become available as cash assets in the processes of funding, as before stated $105,000,000

(*b*) Bonds and stock guarantied by the Dominion Government as before stated 110,000,000

(*c*) Exemption from taxation for all time. As the taxes on both the Union Pacific and Southern Pacific Companies exceed $1,000,000 a year (see Poor's Manual), I assume that the Canadian Pacific taxes remitted would amount to at least $600,000 a year.

(*d*) Remission of duties on rails and all imported material, amounting to at least $7,000,000

(*e*) Protection against the construction of competing lines for twenty years, the value of which concession can not be accurately estimated. To an American line such a concession would constitute a guaranty of a fair rate of interest on the cost of the road.

(*f*) The Dominion Government has granted an annual subsidy of $186,000 to the portion of the line of the Canadian Pacific Railway which extends across the State of Maine. The obvious effect of this line would be to divert American and Canadian commerce from Boston and Portland, Me.

COST OF CANALS AND RAILWAYS.

In the construction of her canals and railways, Canada has expended in cash over $200,000,000, and granted exemptions and franchises which undoubtedly swell the total value of governmental aid to nearly $300,000,000.

The intimate association of the Government of Canada with the transportation interests of the Dominion is clearly indicated by the fact that in order to secure the commercial and political union of the Provinces, by means of railroad construction, the people of Canada have submitted to a burden of debt equal, in proportion to population, to the burden of debt which was assumed by the people of the United States in order to save the Union. This burden has been willingly borne by the people, and to-day this association of political powers with the control of the transportation interests of the Dominion in such manner as to affect both political and commercial objects, is the predominating political sentiment of the Dominion.

It is my firm belief that if the present administration of governmental affairs in Canada should go out of power, by the death of Sir John Macdonald or otherwise, no political party which should attempt to reverse this political transportation policy of the Dominion could retain power for six months, so intimately has this policy become interwoven into the very fabric of government.

PUBLIC DEBT OF CANADA.

The public debt of Canada increased from $93,000,000 in 1867, the year of the confederation, to $235,107,948 on the 30th of November, 1889. This increase in the Dominion debt since the confederation has been due chiefly to the construction of the great political railroads of Canada.

When we consider our Canadian relationships we must remember

that we are dealing not only with a government but with a great system of transportation sharply competing with the commercial and transportation interests of the United States. If the Dominion of Canada were as completely separated from actual conduct of commerce and transportation as is the United States, our Canadian relationships would be purely of a political character; but the difficulty involved in the whole matter is that the United States Government in its foreign policy is ingenuously political while the Dominion Government is shrewdly commercial from the compulsion of proprietary interests and financial obligations. The fact that the ownership and control of railroads is a fundamental part of its policy makes it commercially aggressive. The very fact of its ownership of canals and railroads and its deep interest in commerce and transportation for political purposes subjects it to a sort of public responsibility of which we have no conception in this country. By virtue of these facts the Dominion Government is necessarily aggressive. The very fact that the Dominion Government has assumed responsibility for the commercial success of the country brings to bear upon it a public responsibility which compels it to have recourse to all the sharp expedients of transportation and of trade. So we see the Dominion Government doing toward the transportation lines of the United States just as one great railroad company is doing toward another.

This fact is now clearly appreciated by the Inter-State Commerce Commission. In their third annual report, just issued, referring to the Canadian railroads generally, the Commission say:

> They are practically under no restrictions imposed by their own statutes in respect to long and short haul traffic, but are at liberty to charge high rates on local business to indemnify for losses on through or international business. Their managers deny, with more or less emphasis, that their local traffic is subjected to higher rates, but when the liberty to make such charges and the necessity for it can exist, the inducement, at least, is strong. The provisions of the Canadian statute on this subject, are as follows:
>
> "SEC. 226. The company in fixing or regulating the tolls to be demanded and taken for the transportation of goods, shall, *except in respect to through traffic to or from the United States*, adopt and conform to any uniform classification of freight which the governor in council on the report of the minister, from time to time prescribes.
>
> "SEC. 232. No company in fixing any toll or rate shall, under like conditions and circumstances, make any unjust or partial discrimination between different localities, but no discrimination between localities, *which by reason of competition by water or railway, it is necessary to make to secure traffic*, shall be deemed to be unjust or partial."
>
> These enactments give all traffic carried in competion with our carriers unlimited freedom.

In a word, the Dominion Government in the conduct of its railroad policy is doing as railroad managers are doing everywhere. Railroad managers are engaged in a never ending fight. That is a characteristic of competition. The Canadian aggression upon American interests is therefore a natural expression of *the character of their Government.*

That fact to my mind is a very important one, and it seems to me to be the root of the whole matter. Just take the whole case in review. First, the Canadian ownership of canals, which cost $52,000,000; second, the direct ownership and management of the intercolonial system, which cost $46,000,000, and third, the interest of the Dominion Government in the Canadian Pacific Railway, which it has aided in various ways to the amount of $215,000,000. All this has really transformed the Dominion Government from a political organization into a commercial institution—an aggressive transportation system. At least that is the character it assumes towards the United States in all matters of international relationships.

A man gets himself into a certain method of doing business and he has got to follow up that line of policy in order to succeed. Just so it

is with a government. It is by a faithful adherence to this sort of policy that the present Macdonald government has become so firmly intrenched in power. It is impossible for his party to enter into any treaty agreement which would relieve it from the necessity of having recourse to all those tactical and strategetical expedients with which the great trunk lines of the country are continually competing with each other. So I favor reciprocal legislation with Canada in preference to commercial treaties, and as we hold the advantage over Canada all along the line we can dictate the detail of our Canadian relationships.

It is difficult for us in the United States to appreciate the force of public sentiment which in Canada has created a vast public debt for the construction of railways and canals and which compels the administration of the Dominion to manage those enterprises according to the dictates of apparent commercial need.

THE TRANSATLANTIC AND TRANSPACIFIC STEAMER LINES AND CONNECTIONS OF THE CANADIAN PACIFIC RAILWAY.

Upon the completion of the Canadian Pacific Railway, in the spring of 1886, a line of steamers was established between Vancouver, British Columbia, and China and Japan. Recently the preliminary steps have been taken for the establishment of a British steamer line from Vancouver to Australia and New Zealand; also for the establishment of a steamer line from St. Johns, New Brunswick, and Quebec, to Liverpool. The provisions of law for the establishment of the British lines just mentioned are embraced in the following act of the Dominion Government, passed at its late session:

AN ACT relating to ocean steamship subsidies.

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. The governor in council may grant to any individual or company a subsidy not exceeding the sum of twenty-five thousand pounds sterling per annum, to assist in establishing an effective fortnightly steam-ship service between British Columbia and the Australian colonies and New Zealand, or such proportion thereof as is decided upon by the governor in council to assist in establishing a monthly service with the said countries, such subsidy to be granted for such term of years, not exceeding ten, and on such conditions as the governor in council considers expedient.

2. The governor in council may grant to any individual or company, to whom there is granted by the Government of the United Kingdom the aid hereinafter mentioned, a subsidy not exceeding the sum of fifteen thousand pounds sterling per annum for a monthly steam-ship service, or a subsidy not exceeding the sum of twenty-five thousand pounds sterling per annum, for a fortnightly steam-ship service between British Columbia and China and Japan, such subsidy to be granted for such term of years and on such conditions as the governor in council considers expedient: *Provided always*, That during such term the Government of the United Kingdom grants to such individual or company a subsidy of not less than forty-five thousand pounds sterling per annum for the monthly service, or of not less than seventy-five thousand pounds sterling per annum for the fortnightly service above mentioned.

3. The governor in council may enter into a contract for a term not exceeding ten years with any individual or company for the performance of a fast weekly steamship service between Canada and the United Kingdom, making connection with a French port, on such terms and conditions as to the carriage of mails and otherwise as the governor in council deems expedient, for a subsidy not exceeding the sum of five hundred thousand dollars a year.

This act provides for the establishment of the following British lines of steamers:

First. A fortnightly line from Vancouver to Australia and New Zealand, with a Canadian subsidy of $125,000 a year, efforts being made for securing an additional subsidy from Australia and New Zealand.

Second. A line from Vancouver to China and Japan, with a subsidy

of about $300,000 in the case of a monthly service, and of about $500,000 in the case of a fortnightly service; and

Third. A British line of steamers from St. Johns, New Brunswick, to Liverpool, with a Canadian subsidy of $500,000 a year. This is to be supplemented, I understand, by a British subsidy, the amount of which is not known, but is publicly stated at $300,000 a year, making a total subsidy of $800,000 a year.

The steamers of the Pacific line to China and of the Atlantic line to England are to be so constructed as to be readily available as armed cruisers in the military navy of Great Britain, and in consideration thereof they are to receive in addition to the sums above mentioned, certain admiralty or navy subsidies, the amount of which is not publicly known. It is understood, however, that this admiralty subsidy consists of a construction bounty and subsequent navigation bounty, which runs for a term of years. The steamers on the Atlantic line are to be of large size and great speed. This scheme has been delayed by Canadian-Pacific scheming to get the control of a part of the intercolonial railway system, but there can be little doubt of the final consummation of the whole plan as above outlined.

In the whole history of commerce there is nothing in the nature of governmental promotion which can be compared to this enormous scheme of subvention, embracing the Canadian Pacific Railway with its enormous grants, privileges, and franchises, and its connecting ocean steamer lines receiving enormous commercial and naval subsidies.

The object of this scheme is not alone Canadian union and Canadian commercial and political advancement; it goes far beyond this. It is part and parcel of the gigantic political scheme of imperial confederation. It was in this view that Lord Lansdowne, late governor-general of Canada, declared that "without the Canadian Pacific Railway the British North American act was not worth the paper it was written upon."

The ruling political party in Canada recognizes this fact, and the leaders of that party make no pretense of disguising it. The "Hand Book of Canada," published by the Dominion Government, states that the Canadian Pacific was constructed "in the interests of the empire at large, as well as those of Canada." And it adds: "Had these far-seeing plans been taken up when [first] mooted Canada would have been at least two generations in advance of her present position, whilst "Greater Britain" [*i. e.* British imperial confederation] would have been in a much higher state of development than it is." This significant remark also follows:

> It was a singular coincidence, and perhaps a prophetic omen of the future imperial importance of this railway, that the first loaded train that passed over its entire length from ocean to ocean was freighted with naval stores, belonging to the imperial war department, transferred from Quebec to Vancouver.

This shows the politico-commercial aspect of the Canadian Pacific Railway, in a way which forces the United States Government to consider the question as to whether the United States or the British Empire is to hold the commercial supremacy on this continent.

These facts emphasize and more clearly bring out the point which I have before stated, namely, that the United States is confronted at the north by a government which is thoroughly committed to a political policy involving a participation in commerce which is essentially aggressive toward American interests. This is the real question which we have to meet, and it must be determined in order to protect American ships, American sea-ports, and American transportation lines.

This view of the case has been very clearly set forth in the recent resolutions adopted by the commercial conference on the Pacific coast, wherein it is clearly shown that this Canadian and British policy of subsidized steamer lines and subsidized railroads across the continent will inevitably break down American steamer navigation on the Pacific Ocean, the effect of which will be to divert commerce from the Pacific ports and from our own lines of transportation between Pacific coast ports and the eastern side of the continent.

THE UNITED STATES AND CANADIAN TRANSIT TRADE.

A clear understanding of our Canadian relationship of transportation involves a careful consideration of what is commonly known as "the United States and Canadian transit trade."

The United States and Canadian transit trade had its origin in an exercise of administrative discretion. About the year 1848 the inference was raised that if under our laws imported goods held in a government warehouse, for example, in New York City, could be taken out of the warehouse and transported across the streets of New York to a seagoing vessel and re-exported without the payment of duties, it might be lawful to take them out of the warehouse in New York and place them on board of a railroad car and ship them across the United States to Canada without the payment of duty. This was done and constituted the beginning of the transit trade. At the same time the privilege was extended to Canadians of shipping their produce across the United States to be exported from New York or from Boston to foreign countries without exacting duties upon them in the United States. This latter privilege was of great value to the Canadians, for the reason that the St. Lawrence River is closed by ice and fogs about six months of each year, during which period they are practically interior provinces. At the same time this traffic brought business to shipping at the port of New York and to American transportation lines, and it had about it the essential elements of reciprocity.

The St. Lawrence system of canals was completed about the year 1848. During that year the Canadian Government very gladly extended to the people of the United States the privilege of importing and exporting goods through Montreal without the payment of duties in Canada. The Canadian Government did everything it could to encourage this traffic because it tended to promote the commercial interests of Canada. At the same time it afforded to the people of our Western and Northwestern States the competitive advantage of an alternative route. This movement also had about it the essential elements of reciprocity.

These two movements, embracing the privilege afforded by each country of exporting or importing goods across the territory of the other without the payment of duty, I shall hereinafter designate as "the foreign transit trade." It may be remarked in passing that the advantages which the foreign transit trade affords to Canada are proportionately very much greater than those afforded to the United States.

THE DOMESTIC TRANSIT TRADE.

There is another and more important branch of the United States and Canadian transit trade to which I would more particularly invite your attention. I refer to the transportation of merchandise from one

point in the United States to another point in the United States across the territory of Canada, and to the transportation of goods from one point in Canada to another point in Canada across the territory of the United States, in both cases without payment of duty. This I designate as the domestic transit trade. This branch of the transit trade had its origin in the geographical circumstance that east of Minnesota, where the parallel of 49 degrees is the international boundary, the territory of the two countries interject, the one into the other, through a range of 6 degrees, or about 400 miles of longitude.

The entire settled portions of the provinces of Ontario and Quebec are situated south of a line drawn from the northern boundary of Minnesota to the northernmost point of Maine.

Just 73 per cent. of the total population of the Dominion of Canada is embraced in this interjection of territory, as will be seen from the statement of population recently prepared by the statistical bureau of Canada:

	Population.		Population.
Ontario	2,189,107	British Columbia	150,999
Quebec	1,496,226	Prince Edward Island	121,852
Nova Scotia	489,618	Northwest Territories	106,000
New Brunswick	348,568		
Manitoba	146,545	Total	5,048,915

On the other hand, the State of Maine almost separates the province of Quebec from the province of New Brunswick.

Now, I beg you will carefully observe the fact that the "transit trade" is based absolutely upon these interjections of territory, and upon the fact that navigation on the St. Lawrence River is closed for about six months each year. But for these physical characteristics of the two countries on the east side of the continent, there never would have been any "transit trade."

The origin of the domestic "transit trade" was as follows:

About the 1st of April, 1855, the railway suspension bridge two miles below Niagara Falls was completed. By this means the New York Central Railroad, the Great Western Railroad, of Canada, and the Michigan Central Railroad formed the first all-rail line from New York to Chicago, with the single break caused by the Detroit River, which was crossed by a ferry. A large freight and passenger traffic at once sprung into existence over this line.

The question arose whether American goods could be loaded into a foreign railroad car at Suspension Bridge and carried across the interjecting territory of Canada to Detroit without the payment of duty. The analogy furnished by our navigation laws, which forbid the carriage of goods from one point in the United States to another point in the United States in any other than an American vessel, was set aside. In the absence of any specific statute on the subject, the authorities at Washington yielded to the popular demand, and thus the domestic transit trade, like the foreign transit trade, had its origin in the mere exercise of administrative discretion. The Canadian government very freely acceded to the arrangement, for it was one of great advantage to the traffic interests of the then most important railroad in Canada, the Great Western Railroad.

Since the inauguration of the domestic transit trade over the Canadian route just mentioned, the relative importance of that route has greatly decreased in consequence of the construction of the several powerful trunk lines south of Lake Erie, which carry the great bulk of the commerce between the West and the sea-board.

TRANSIT TRADE LEGISLATION AND TREATY STIPULATIONS.

Both branches of the transit trade hereinbefore described and designated as the foreign transit trade and the domestic transit trade, existed from the time of their inception by virtue of administrative discretion, and in the absence of any specific provisions of law sanctioning them, until July 28, 1866, when the following act of Congress was passed (Revised Statutes, sections 3005 and 3006, Chapter CCXCVIII, approved July 28, 1866):

AN ACT to protect the revenue and for other purposes.

SEC. 5. *And be it further enacted*, That from and after the passage of this act, all goods, wares, or merchandise arriving at the ports of New York, Boston, and Portland, or any other port of the United States which may be specially designated by the Secretary of the Treasury, and destined for places in the adjacent British Provinces, or arriving at the port of Point Isabel, Texas, or any other port of the United States which may be specially designated by the Secretary of the Treasury, and destined for places in the Republic of Mexico, may be entered at the custom-house and conveyed, in transit, through the territory of the United States, without the payment of duties, under such rules, regulations, and conditions for the protection of the revenue as the Secretary of the Treasury may prescribe.

SEC. 6. *And be it further enacted*, That imported goods, wares, or merchandise in bond, or duty paid, and products or manufactures of the United States, may, with the consent of the proper authorities of the provinces or republic aforesaid, be transported from one port or place in the United States to another port or place therein, over the territory of said provinces or republic, by such routes and under such rules regulations, and conditions as the Secretary of the Treasury may prescribe; and the goods, wares, or merchandise so transported shall, upon arrival in the United States from the provinces or republic aforesaid, be treated in regard to the liability to, or exemption from duty or tax as if the transportation had taken place entirely within the limits of the United States.

Section 5 of the act above quoted in terms legalized the foreign transit trade, while section 6 as specifically legalized the domestic transit trade. The next measure in the order of time having reference to the establishment of the United States and Canadian transit trade is found in the twenty-ninth article of the treaty of Washington, which was concluded May 8, 1871. That article is as follows:

ARTICLE XXIX.

It is agreed that, for the term of years mentioned in Article XXXIII of this treaty, goods, wares, or menchandise arriving at the ports of New York, Boston, and Portland, and any other ports in the United States which have been or may, from time to time, be specially designated by the President of the United States, and destined for Her Britannic Majesty's possessions in North America, may be entered at the proper custom-house and conveyed in transit, without the payment of duties, through the territory of the United States, under such rules, regulations, and conditions for the protection of the revenue as the Government of the United States may from time to time prescribe; and, under like rules, regulations, and conditions, goods, wares, or merchandise may be conveyed in transit, without the payment of duties, from such possessions through the territory of the United States for export from the said ports of the United States.

It is further agreed that, for the like period, goods, wares, or merchandise arriving at any of the ports of Her Britannic Majesty's possessions in North America, and destined for the United States, may be entered at the proper custom-house and conveyed in transit, without the payment of duties, through the said possessions under such rules and regulations and conditions for the protection of the revenue as the governments of the said possessions may from time to time prescribe; and, under like rules, regulations, and conditions, goods, wares, or merchandise may be conveyed in transit, without payment of duties, from the United States through the said possessions to other places in the United States or for export from ports in the said possessions.

This treaty of Washington was concluded fifteen years before the Canadian Pacific Railway was constructed, and only two years after

the first transcontinental railroad was completed in this country. It is absolutely certain that it never would have been signed by any sane American commissioner nor ratified by any American Congress in the presence of the conditions which now govern the transportation interests of the United States and of the efforts which are now being made by the Canadian and British Governments to grasp American commerce and to exploit British imperial confederation on this continent.

And now let us briefly recapitulate the leading facts hereinbefore stated in regard to the transit trade.

Both branches of that trade were inaugurated by administrative discretion. Subsequently they were sanctioned by the act of July 28, 1866, and by article 29 of the treaty of Washington. All this was prompted and justified by the particular circumstances of interjecting territory, by the disability under which the provinces of Quebec and Ontario labor of having no winter sea-ports, and by the advantage of competition which the St. Lawrence River route affords to our Western and Northwestern States during the season of navigation.

On the western side of the continent the case is entirely different.

Not one of the conditions which justify the transit trade on the eastern side of the continent exists as a justification of the extension of the privileges of that trade to the western side of the continent; but, notwithstanding this obvious and most important characteristic of the commercial life of the country, upon the completion of the Canadian Pacific Railway to the Pacific Ocean, in the month of May, 1886, the Secretary of the Treasury granted to the Canadian Pacific Railway Company the privileges of the transit trade, so that it was enabled at once to enter into competition with the American lines for the domestic traffic of the United States across the continent, and also of competing, by the sheer force of British and Canadian governmental subsidy, with American steamer lines, American sea-ports, and American railroads for our Asiatic commerce.

I am aware of the fact that under a familiar rule of construction, a statute of a general nature, although in its form permissive, is nevertheless mandatory upon the officers of the Government charged with its administration, and that Sec. 6, of the act of July 28, 1866, may be regarded in this light. There is, however, a question as to whether the Secretary did or did not err in allowing the transit trade on the Pacific coast to be conducted in part by vessel and in part by rail, embracing the transfer of cargo on foreign soil. But I submit to the committee that the historic facts which alone justified the enactment of that law, and the questions of public policy which now confront the country regarding the encroachment of the Dominion Government upon the navigation, transportation, and commercial interests of the United States clearly demand that under specific statutory provisions, the "transit trade" shall be limited to the conditions under which it was originally established, and to the specific purposes which it still subserves on the eastern side of the continent.

I maintain, however, that in a certain particular the "transit trade" as now conducted on the Pacific coast is in open violation of our laws for the protection of the revenue from customs.

THE TRANSIT TRADE ON THE EASTERN AND ON THE WESTERN SIDE OF THE CONTINENT.

Now, what are the real differences between the application of the transit trade on the eastern side of the continent and on the western side? To make this perfectly clear to your committee, even at the

risk of repeating what has already been said, I invite your attention to the following statement, showing specifically the radical differences which exist between the conditions under which the transist trade exists on the eastern and on the western side of the continent.

First. The eastern transit trade is across interjecting Canadian territory, in part over an American line, the Canada Southern Railway. There is no such interjecting territory on the west side of the continent, and the exclusive privileges of railway construction granted to the Canadian Pacific do not tolerate such an American competitor in British Columbia.

Second. The transit across this interjecting territory at the east, while enabling some of the principal railroads of Canada to participate in our domestic traffic, affords the reciprocal advantage to American shippers of short and direct lines between our Northwestern and our New England States; but no such advantage of a shorter line is afforded by the Canadian Pacific on the western side of the continent.

Third. The most populous and most wealthy portion of the Dominion of Canada is for six months of the year dependent upon transit across the territory of the United States for free commercial intercourse with foreign countries. But no such disability affects British Columbia. In common with all the Pacific coast ports, as far north as Sitka, Alaska, the ports of British Columbia are open all the year.

Fourth. The eastern transit trade lines tend to bring trade to American sea-ports, while the Canadian Pacific Railway, with its British steamer line adjuncts, operates very strongly to turn American commerce from American sea-ports, a fact which has created great alarm on our Pacific coast and has led the convention of commercial and industrial organizations of that section to utter an earnest and entirely nonpartisan appeal to Congress for protection against the aggressions of the Canadian and British Governments.

Fifth. The St. Lawrence River and Canadian canals afford the competitive advantages of an alternative route to the people of our Western and Northwestern States for six months of the year; but no such natural advantages of water transportation through Canada exist on the western side of the continent. We have no need to cross Canadian territory there, even for the purpose of gaining the advantages of an alternative route.

Sixth. The railroads of Canada, which were allowed to engage in the transit trade under the privileges of the act of July 28, 1866, and of article 29 of the treaty of Washington, were all constructed as commercial enterprises, on commercial principles and to subserve merely commercial purposes, but the Canadian Pacific Railway, as I have before shown, was constructed by the Dominion Government for political purposes distasteful to and in a measure inimical to the United States.

This is fully evidenced by the contribution of $215,000,000 in gifts and other subventions by the Dominion Government to the Canadian Pacific Railway; by the exemption of the property of that company from taxation, amounting to $600,000 a year; by the remission of duties on rails and other materials, amounting to $7,000,000 upon the basis of the rates of duty charged in the United States; by protection against the construction of competing lines, and by the subsidy to the Canadian Pacific lines across the State of Maine, amounting to $186,000 a year.

Seventh. The Canadian Pacific Railway has as adjuncts a steamer line to Asia so heavily subsidized by the Canadian government as to threaten the ruin of American steamer lines between San Francisco and

ports in Asia, and to divert our Asiatic commerce from American seaports to the Canadian port of Vancouver. The Canadian and British Governments, with the idea of the imperial confederation of the British Empire prominently in view, are now planning for the establishment of a heavily subsidized British steamer line to Australia and New Zealand. This will ruin our American line to these islands unless we adopt measures which will protect it against the efforts of the Dominion Government to destroy it.

Those governments are also planning for a heavily subsidized trans-Atlantic steam r line from St. John's or Halifax to Liverpool. This line would tend to divert commerce from New York, Boston, and Portland, Me. But no schemes for diverting commerce from American ships, from American sea-ports, and from American transportation lines characterized the railroads which were authorized to engage in the transit trade by the act of July 28, 1866, or by the treaty of Washington of 1871. As I have before remarked, that treaty would never have been signed by any sane commissioner if it had been characterized by any such feature of hostility to American interests.

Eighth. The Canadian Pacific Railway is closely identified with military objects, which were at the beginning urged with effect both in Canada and Great Britain in favor of the construction of that road. This feature of the enterprise is accentuated by the formidable fortress and naval station at Esquimault on the Island of Vancouver, and it is also indicated by the fact already noted that the first train which passed over the Canadian Pacific upon its completion was loaded with material of war. No objectionable feature of this nature characterized the transit trade authorized by the act of July 28, 1866, and by the treaty of Washington, and it is certain that the privileges of the transit trade should never be granted to any railroad which is characterized by any such objectionable features.

THE POSSIBILITY OF CANADIAN RETALIATION.

The question of expediency has been suggested as to the effect which the suspension of the privileges of the transit trade on the western side of the continent might have upon American interests in case the Canadian government should see fit to retaliate by curtailing the privilege of the transit trade on the eastern side of the continent. Nothing could be more absurd than to apprehend evil to any American interests from this source. In the whole matter of the transit trade from New Brunswick to Vancouver the United States holds an overpowering advantage over Canada at every point. The entire suspension of this trade would be of comparatively small disadvantage to the United States, whereas it would be utterly disastrous to Canada. If the Dominion Government should forbid the transportation of Canadian goods in bond and free of duty across the State of Maine over the new subsidized Canadian Pacific line, or should forbid the transportation of goods across the territory of the United States through the ports of New York, Boston, and Portland, Me., in the conduct of the foreign commerce of Canada, or should forbid the carriage of American merchandise from one point in the United States to another point in the United States across the interjecting territory of the provinces of Ontario and Quebec, or should forbid the Northwestern States from carrying on foreign commerce through the port of Montreal except upon payment of duty, such action would wreck the commercial, industrial, and transportation interests of Canada and in a moment dispel the cherished dream of Canadian commercial supremacy upon this continent.

To assume that the suspension of the privileges of the transit trade on the western side of the continent, where there is no justifiable excuse for its existence, would lead the Canadian government to retaliate by any interference whatever with the eastern transit trade would be to impeach the common sense of the exceedingly astute and able men who now control the political affairs of Canada. Nothing could be more puerile than such an assumption. It is to-day entirely within the discretion of the Government of the United States to afford ample protection to American shipping interests, to American sea-ports, and to American transportation lines against Canadian encroachment on the western side of the continent without the slightest ground for apprehending any sort of Canadian retaliation on the eastern side of the continent.

It is high time for the people of this country to appreciate the fact that their national Government holds a preponderance of commercial power on this continent as absolute as the preponderance of its military power, and to demand that those who are charged with the affairs of Government shall adopt such measures as shall prevent any interference by a foreign power with the course of the development of our domestic or foreign commerce.

THE LEGALITY OF THE ARRANGEMENTS UNDER WHICH THE PRIVILEGES OF THE TRANSIT TRADE HAVE BEEN EXTENDED TO THE PACIFIC OCEAN.

The legality of the arrangement whereby the privileges of the domestic transit trade have been secured by the Canadian Pacific Railway Company is subject to serious doubt. Such privileges have been secured by forming a connection with an American steamer line plying between Vancouver and ports in the United States as far south as San Diego, Cal. The abrogation of Article XXX of the treaty of Washington denied this privilege to foreign vessels. The connection made by the Canadian Pacific with an American steamer line is, however, questionable as to its legality. Our navigation laws confine the domestic carrying trade exclusively to American vessels. Obviously an American vessel can not take a cargo of domestic goods from San Francisco to Valparaiso, Chili, and there ship them by a foreign vessel to New York, but American vessels are carrying goods from San Francisco to Vancouver, British Columbia, there to be shipped to New York by the Canadian Pacific and its Eastern railroad connections, under conditions much less favorable to the protection of our revenues from customs than in the former case. It will be easy for the committee to procure information from the law officers of the Government upon this subject, and I, therefore, leave the matter with the simple expression of my views in regard to it.

There is, however, a feature of the foreign transit trade through Victoria which appears to be openly and flagrantly in violation of the letter and spirit of the law. Our existing laws concerning the transportation of dutiable goods from seaports of the United States to interior points in the United States, say, for example, imported goods from San Francisco to Chicago, require that a consular invoice of such goods shall be delivered to the customs officer at San Francisco for examination; that entry of the goods shall be made at that port; that the goods shall be shipped under a transportation bond for the security of the duties; that the railroads over which the transportation takes place shall also be bonded, and that the cars in which they are carried shall be

sealed. But at the present time foreign goods to be shipped east to points in the United States are received by an inspector of customs of the district of Puget Sound, who, as I am informed, has been made a consular agent of the United States. He simply certifies to manifests of American goods, and forwards them without examining or certifying to the invoices, and the Canadian Pacific being a foreign corporation can not execute a bond to the United States for the faithful performance of any service whatever. The whole proceeding appears to be unwarranted.

So, without any authority of law and by a manifest abrogation of law, Vancouver is exempted from important requirements which apply at San Francisco. Thus the administrative branch of our own Government is actually aiding the great politico-military railroad of Canada in its work of deflecting commerce from American ships, from American seaports, and from American transportation lines by the sheer force of Canadian and British subsidy.

I hesitate not to characterize this as disgraceful to the Government of the United States and a matter which calls for immediate rectification.

THE STRUGGLE MADE BY THE CANADIAN PACIFIC RAILWAY COMPANY FOR THE CONTROL OF AN IMPORTANT PART OF THE INTERNAL AND FOREIGN COMMERCE OF THE UNITED STATES.

The Canadian Pacific Railway was open for traffic in the month of June, 1886. With a phenomenal audacity the Dominion Government and the Canadian Pacific Railway management assumed that the privileges of both the internal and the foreign transit trade of the United States applied to transcontinental traffic, notwithstanding the historic fact that the entire transit trade was originally established under the peculiar conditions of interjecting territory on the Eastern side of the continent, and by virtue of the fact that the Canadian Provinces of Ontario and Quebec were shut off from foreign commerce by ice and fogs during six months of the year. The act of July 28, 1866, made the extension of the "transit trade" subject to the discretion lodged with the Secretary of the Treasury touching the protection of the revenues from customs, and the twenty-ninth article of the treaty of Washington in terms granted the privileges of the transit trade in favor of the particular routes on the East side of the continent described in that article, and to such other routes as might be "specially designated by the President of the United States."

I think that from the stand-point of national interest and honor it is a cause for regret that the late administration should have unconditionally extended the privileges of the transit trade to transcontinental traffic and thus have aided the government of Canada in carrying out a line of policy the objects of which are inimical to the commercial, navigation, and transportation interests of this country and in a political sense offensive to the United States. As our navigation laws forbid that any foreign vessel shall engage in our domestic commerce, it was necessary that an American line of steamers should form the connection with the Canadian Pacific Railway, whereby that agency of the Dominion Government might be able to compete with the transcontinental and eastern trunk lines of the United States for the traffic of California, Oregon, and Washington with the east side of the continent. Under the arrangement which was made for carrying that object into effect the Canadian Pacific Railway at once began a bull-dozing policy in regard to rates with the object plainly in view of wresting from the

American lines a large share of the through traffic. They wanted a larger share than the American lines could afford to grant without imperiling their own interests. Besides it was seen that a very material reduction of through rates, in order to prevent traffic diversion, would compromise the American lines with respect to an equitable adjustment of through and local rates and generally with respect to competing and non-competing rates. This, however, would inevitably have led to popular discontent all along their lines and the blame would of course have fallen immediately upon the managers of the American lines. The general manager of one of these lines remarked that with them it was a question of "no traffic or no rates."

Everything seemed to favor Canadian aggression. The Treasury Department had given the whole case away and soon after the interstate-commerce act took effect. For months the managers of the American transcontinental railroads were in a demoralized state, while Mr. Collingwood Schreiber, chief engineer and manager of the government railways of Canada, exultingly reported to his government, under date of December 26, 1887, that "already notes of alarm have been sounded by the American press at the manner in which the Canadian Pacific Railway is cutting into the business of the transcontinental roads of the United States." The Canadian Pacific Railway, constructed mainly by the gifts and aids of various sorts extended by the Canadian government and backed up by that government in every act of aggression upon American interests, was fighting a set of American lines constructed mainly or entirely by private capital with large financial obligations and confronted by a jealous and somewhat unfriendly public sentiment in this country toward the railroads generally. The situation seemed to illustrate the irony of fate.

After a while the Interstate Commerce Commission decided that the competition of the Canadian Pacific Railroad is a cause for departure from the "long and short haul rule." This was a great relief to the transcontinental railroads, but a greater relief to the producing industries of California, which depend for quick markets upon that portion of the United States situated east of the Missouri River. To what extent the long and short haul rule may be departed from the Commission has cautiously refrained from saying, and the country is still at sea upon the vitally important question as to the influence which shall be exerted in the determination of relative rates by rival commercial forces, by mountain ranges and arid wastes, and by the competition of water lines, and by the power exerted by the Dominion Government through its *alter ego*, the Canadian Pacific Railway Company. This is the emergent question of our railroad problem, which must finally be settled by judicial determination. For many months a war of rates continued between the Canadian Pacific and the American lines, and the situation to-day is in the nature of an armistice. The plan adopted for keeping the peace is that of differential rates. By this concession the Canadian Pacific is allowed to charge lower rates in order to secure a share of the through traffic, a virtual concession to the financial power of the Dominion Government behind the Canadian Pacific.

This is illustrated by the following table showing the rates which now prevail on through traffic from San Francisco to Chicago by direct American routes and by the Canadian Pacific route by steamer to Vancouver, and thence by Canadian Pacific Railway and its eastern connections.

Through rates from San Francisco to Chicago.

Merchandise class.	Direct American route.	Canadian Pacific route.	Differential.	Merchandise class.	Direct American route.	Canadian Pacific route.	Differential.
First	$3.90	$3.72½	$0.17½	A	$1.90	$1.82	$0.08
Second	3.40	3.25½	.14½	B	1.70	1.62	.08
Third	2.70	2.58	.12	C	1.35	1.28	.07
Fourth	2.10	2.00	.10	D	1.20	1.15	.05
Fifth	1.85	1.75	.10	E	1.10	1.05	.05

The discrimination in passenger traffic is illustrated by the following statement quoted from printed schedule showing the rates in force on the 26th of December, 1889.

Rates from St. Paul, Minn., to Portland, Oregon.

Class.	Via Northern Pacific.	Via Canadian Pacific.
Limited—		
First class	$60	$50
Second class	35	30

During the year 1888 the Canadian Pacific in its fight with the American transcontinental lines secured about 39 per cent. of the traffic between San Francisco and a line of which the principal eastern points are St. Paul, Milwaukee, Chicago, St. Louis, and New Orleans. I have not been able to procure any later information as to the relative magnitude of this movement.

The Interstate Commerce Commission, in their recently published report, say:

> It is estimated that fully one-third of the through business of the Canadian Pacific to and from the Pacific coast consists of traffic furnished from the United States.

TRAFFIC BETWEEN THE ATLANTIC SEA-BOARD STATES AND CHINA AND JAPAN OVER THE CANADIAN PACIFIC ROUTE.

There is a traffic over which neither the Transcontinental Railway Association or any other American railway organization appears to exercise any sort of control. I refer to the direct traffic between points in the Atlantic Sea-board States and China and Japan, over the Canadian Pacific Railway and its heavily subsidized ocean steamer line. This commerce is being deflected from American steamer lines on the Pacific Ocean, from American sea-ports on the Pacific coast, and from American railroads across the entire continent, by the sheer force of subventions granted by the Dominion and British Governments. Through rates are quoted between Atlantic and Pacific coast cities, but there is no supervision over such traffic such as that which is exercised by the Transcontinental Association over traffic west of Chicago and St. Louis.

The following tables exhibit respectively the kinds and weights of commodities exported from the Atlantic Sea-board States to China and

Japan via British Columbia by the Canadian Pacific Railway and its heavily subsidized British steamer line across the Pacific Ocean:

No. 59.—Statement showing the kinds and weights of commodities, the production of the United States, exported from the United States through British Columbia, via the Canadian Pacific Railway, to China and Japan during the year ending June 30, 1888.

[From official reports by the United States inspector of customs at Vancouver, British Columbia.]

Articles.	Weight.	Articles.	Weight.
	Pounds.		*Pounds.*
Books	5,973	Personal effects	15,579
Boots and shoes, India-rubber	910	Plumbago	390
Clocks and watches	997	Rattan core	395
Cottons	4,660,168	Talc	2,080
Gypsum	27,410	Tobacco and cigarettes	1,725
Hoofs, horns, and bones	72,696	Tram-cars	45,000
Lubricants	7,896	Type-writers	60
Machinery	678,047	Wire	53,653
Merchandise	31,192		
Organs	21,193	Total	5,625,355

No. 60.—Statement showing the kinds and weights of commodities, the production of the United States, exported from the United States through British Columbia, via the Canadian Pacific Railway, to China and Japan during the year ending June 30, 1889.

[From official report by the United States inspector of customs at Vancouver, British Columbia.]

Articles.	Weight.	Articles.	Weight.
	Pounds.		*Pounds.*
Air-guns	40	Lamps	410
Apples	310	Leather, belting	1,713
Books, stationery, charts, and printed matter	40,588	Mica	65
Boots, India-rubber	4,097	Milk, condensed	1,896
Carbons	4,140	Merchandise, not specified	5,466
Cartridges, metallic	3,162	Missionary goods	70,460
Cases of wood	300	Musical instruments:	
Celluloid	1,255	Organs	2,720
Clay pipe	2,861	Pianos	1,050
Collars, linen	534	Oils, lubricating	18,016
Copper wire	19,070	Oils and paints	1,150
Cottons	11,756,504	Paper	100
Cream of tartar	821	Pencils, of lead	880
Cresin	564	Personal effects	12,085
Dry goods, not specified	11,401	Phonographs	2,100
Drugs, not specified	8,080	Photographic goods	714
Electric fixtures	196,451	Pictures	110
Fire-works	1,400	Sulphur	274
Gas-fixtures	2,119	Silk, raw	2,602
Ginseng	39,933	Skates, roller	37,700
Glassware	100	Tea	480
Headlights for locomotives	450	Telegraphic wire	3,420
Hoofs and fertilizers	182,780	Tobacco	753
Iron and steel:		Cigarettes	3,792
Castings	9,762	Tinware	1,531
Fire-arms	361	Varnish	1,754
Hardware	12,411	Wood manufactures:	
Locomotive springs	470	Boats	2,340
Machinery, not specified	328,938	One show-case	(*)
Printing-presses	1,819	Wax-candle stock	7,786
Scales	3,663		
Type-writers	200	Total	12,834,991
Wire rope	20,040		

* No weight given.

No. 61.—*Statement showing the kinds and weights of commodities imported into the United States through British Columbia, via the Canadian Pacific Railway, from China and Japan during the calendar year* 1888, *and the eleven months ending November* 30, 1889.

[From official reports of the United States inspector of customs at Vancouver, British Columbia.]

Commodities.	1888.	Eleven months of 1889.	Commodities.	1888.	Eleven months of 1889.
	Pounds.	*Pounds.*		*Pounds.*	*Pounds.*
Tea	14,687,627	8,600,550	Bamboo	.....	6,420
Rice	216,385	3,461,382	Silk floss	.....	3,992
Raw silk	560,591	790,791	Porcelain	16,400	748
Curios	140,374	361,277	Animal skins	.....	530
Matting	4,030	305,912	Art goods	.....	160
Straw braid	.....	100,555	Groceries	167,040	.....
Flax fiber	.....	83,370	Lily bulbs	19,250	.....
Paper ware	.....	37,610	Ivories	180	.....
Silk waste	.....	27,920	Merchandise (not otherwise described)	1,065,370	644,411
Fire-works	.....	16,777			
Silk goods	.....	10,391			
Japan ware	.....	7,387	Total	16,877,427	14,467,533
Personal effects	180	7,350			

S. G. BROCK,
Chief of Bureau.

TREASURY DEPARTMENT, BUREAU OF STATISTICS,
December 27, 1889.

The quantity of tea imported by this route during the year ended June 30, 1889, constituted 20 per cent. of the total imports of tea into the United States during that year.

The precise question which confronts Congress and the country is: Shall a foreign railroad, built by a foreign government, and a subsidized British steamer line, established in connection with that railroad for commercial and political purposes inimical to the United States, be permitted to divert American commerce from American vessels, American sea-ports and American transportation lines, and if not, what measures shall be adopted for the protection of these American interests?

CANADIAN DISCRIMINATIONS IN THE MATTER OF ENTRANCE AND CLEARANCE FEES.

Almost all the commercial nations on the globe, Great Britain included, now allow American vessels to enter their ports from all foreign ports upon the same terms, as to duties of tonnage or impost, as are levied upon their own vessels entering from foreign ports. In other words, no nation discriminates against the vessels of another in the matter of duties of tonnage or impost. This arrangement of maritime reciprocity in its general application is not based upon treaty stipulations, but upon reciprocal statutory provisions of a general or special nature. Such legislation was, I think, initiated by the United States in our act of May 24, 1828. But notwithstanding the fact that this reciprocal arrangement now characterizes the maritime intercourse of the civilized globe, and the fact that Canadian vessels are allowed to enter at ports of the United States upon the same terms as to tonnage duty and entrance and clearance fees as are charged American vessels, Canada charges American vessels arriving from American ports an entrance fee of 50 cents and a clearance fee of 50 cents, making $1 for every visit to a Canadian port, whereas no entrance or clearance fee whatever is imposed upon Canadian vessels having a license issued by the Canadian authorities, and the Commissioner of Navigation of the United States informs me that "it is presumed that the license is obtained by such vessels, practically, in every case."

This, in dollars and cents, is comparatively a small matter to the country at large, but it serves to illustrate the general fact that all along the line, from the banks of Newfoundland to the island of Vancouver, this aggressive Canadian Government leaves no chance of encroachment upon American commerce and no loop-hole of advantage for Canadian vessels or Canadian trade which it does not improve by an unfair discrimination of some sort in favor of Canadian interests.

In passing I would observe that the United States does not allow Canadian vessels to engage in trade between American ports, and that Canada does not allow American vessels to engage in trade between Canadian ports. This is and always has been the case. Each country absolutely protects its own coastwise or domestic carrying trade against foreign competition.

CANADIAN VIOLATIONS OF THE TERMS OF THE TREATY OF WASHINGTON AND OF THE OBLIGATIONS OF THE TRANSIT TRADE.

A flagrant and most absurd violation of a treaty stipulation between the United States and Great Britain was brought to the attention of the House of Representatives on the 4th of January, 1888, in the form of a resolution submitted by the Hon. Nelson Dingley, jr., of Maine. During the three preceding years, through the device of an "order in council," a rebate of 18 cents per ton had been allowed out of the total toll of 20 cents per ton on grain of all sorts passing through the Welland and St. Lawrence Canals, if shipped to Montreal. This constitutes a premium of 18 cents a ton offered by the Canadian Government in favor of the diversion of American commerce from American sea-ports and American transportation lines. An officer of the revenue department of Canada has innocently confessed that "the object of the Dominion Government in promulgating this order was to encourage trade over the St. Lawrence route instead of allowing it to go to American ports."

On the 16th of January, 1888, Mr. Dingley showed that this discrimination was clearly in violation of Art. XXVII of the treaty of Washington. It also constitutes a most flagrant and manifest violation of the reciprocal relations under which the "transit trade" exists. The life of that arrangement subsists in an entire abstinence from any sort of discrimination in favor of the cars, the vessels, or the ports of either country. When the two countries shall attempt to vie with each other by discriminations in favor of their own cars, or vessels, or ports, the whole transit trade, with all its conditions of mutual benefit, will be wiped out.

It was hoped that the Dominion Government would have recognized the expediency, if not the justice, of receding from this manifest breach of treaty obligation; but this has not been done. On the 20th of April, 1888, the offensive discriminating order was renewed. The Dominion Government seemed to be alarmed, and delayed the order about a month, until the absorbing issues of our approaching Presidential campaign had called the attention of Congress and the country away from Canada. But again, on the 18th of March, 1889, the discriminating order was issued by an order of council for the season of navigation of 1889. Last year there was no awakened public sentiment to be feared in this country, and the order was issued at an unusually early date.

It is observed that this violation of the provisions of the treaty of Washington, and of the conditions under which the transit trade exists, is not committed through an act of Parliament, but by the sly and

facile expedient of an annual "order in council," a method of wrongdoing for which Charles I, King of England, was adjudged a tyrant, and for which he at once lost his crown and head.

In responding to this indefensible discrimination against American commerce, the Government of the United States ought at once to impose a tonnage of at least 10 cents per ton on the gross tonnage of all Canadian vessels passing through the canal at Sault Ste. Marie, the rapids in the strait which connects the navigation of Lake Superior with that of Lake Huron. This canal, with its locks 515 feet long and 80 feet wide, was constructed at a cost of about $4,000,000, and is now owned and operated by the Government of the United States. Both American and Canadian vessels are allowed to pass through Sault Ste. Marie Canal free of tolls. That the United States has full power to order such discriminating tax upon Canadian vessels will be readily seen by examining Article XXVII of the treaty of Washington, concluded July 4, 1871. At that time the canal belonged to the State of Michigan, and it was not transferred to the United States until June 5, 1881.

There are also other appropriate and effective means of retaliation upon Canada for this unjust discrimination against American interests, which will readily suggest themselves to the legislative mind.

THE CANADIAN REFUSAL TO RECIPROCATE IN THE MATTER OF AIDING VESSELS IN DISTRESS.

On the 4th of February, 1888, the late Hon. Newton W. Nutting, of New York, brought to the attention of the House of Representatives the fact that the Dominion Government refuses to accept the offer made by the United States by act of June 19, 1878, to allow Canadian wrecking vessels and machinery to assist Canadian vessels wrecked in American waters, provided a like privilege is extended to American wrecking vessels and machinery in Canadian waters.

This matter has time and again been brought to the attention of the Dominion Government, and the subject has several times been discussed in Parliament. But the political influence of two or three Canadian wrecking companies has been strong enough to prevent the Dominion Government from accepting the terms of our proffered reciprocity, although the refusal has already resulted in lsss of life. But this refusal to reciprocate, in a cause which appeals to the humane impulses of mankind, is perfectly in keeping with the refusal of the Canadian Government to allow American fishing vessels the common privilege of seeking refuge in her ports in time of storm, and for replenishment and necessary repairs.

AN ATTEMPTED VIOLATION OF THE RECIPROCAL CHARACTER OF THE TRANSIT TRADE.

The grasping and unfriendly disposition of the Canadian Government toward the United States was strikingly illustrated by the attempted refusal of the Canadian authorities to allow grain produced in the province of Manitoba to be shipped "in bond" from one point in Canada to another point in Canada over American railroads. This took place upon the completion of the Canadian Pacific, early in the year 1886. The movement of several million bushels of grain was thus for a time restrained. This was a flagrant violation of the privileges of the "transit trade," under which reciprocal arrangement the railroads

of Canada have profited ten times as much as the railroads of the United States. The "transit trade" has also been of enormous advantage to the commercial and industrial interests of Canada. The refusal of the Dominion Government to allow grain to be transported "in bond" over American railroads was not openly announced, but it was carried on surreptitiously.

The Ottawa authorities declared that no instructions had been issued to the officials in Manitoba to prevent the traffic, and the customs officials in Manitoba declared that no instructions had been issued to them whereby they could issue the necessary certificates allowing the movement of grain from one point in Canada to another point in Canada over an American line. The treaty of Washington, concluded May 8, 1871, bore the first marks of this scheme of refusing to be bound by the reciprocal conditions of the transit trade. The words "to other places in the United States," near the end of the second paragraph of article 29, grant to Canadian railroads the right to convey goods from one point in the United States to another point in the United States without payment of duty, whereas there are no corresponding words in the first paragraph of the article referred to, which grant a reciprocal privilege to the railroads of this country. The Canadian Pacific seemed to be trying the experiment of taking advantage of this omission, which was either the result of a blunder or of a fraud. But the gathering storm of indignation convinced the Canadians that the whole transit trade might be endangered by their refusal to observe the obligations of its reciprocal character and they prudently withdrew their covert opposition.

I have presented this case merely as a further illustration of the character of the Dominion Government and to show that the people of Canada carry no friendship into their trade with the United States.

ACTION OF THE COMMERCIAL AND INDUSTRIAL BODIES OF THE PACIFIC COAST IN REGARD TO CANADIAN PACIFIC RAILWAY ENCROACHMENT.

The people of the Pacific coast at last appear to be awake to the dangers of Pacific Railway encroachment. A resolution was unanimously adopted by the Chamber of Commerce of San Francisco, on the 23d of July last, inviting commercial and industrial bodies of the Pacific coast to meet in conference at San Francisco for the purpose of considering various subjects of interest, but particularly the assault made upon the maritime, commercial, and transportation interests of that section of the country through the enormous subventions granted by the Canadian Government to the Pacific Railway, and the subsidies granted by the Canadian and British Governments to ocean steam lines, which are threatening the entire destruction of American steam navigation on the Pacific Ocean, and the diversion of trade from Pacific Coast ports.

That conference was held at San Francisco on the 29th and 30th of July last. Referring to the whole scheme of British and Canadian subvention the report of the conference says: "With such special advantages the Canadian Pacific can afford to quote rates which must drive the American lines out of the China trade, and inflict an almost irreparable injury upon San Francisco."

The commercial disaster which the merchants and other business men of the Pacific coast so clearly see to be impending, and against which they ask the Government of the United States to protect them, is not, as before remarked, the result of a struggle between private enterprise

in the two countries, but is the outcome of a struggle between private enterprise in the United States as against a Canadian railroad corporation which has received aid from the Dominion Government in excess of its cost, and which has been appropriately styled "the Dominion Government on wheels." It is also the outcome of a struggle on the sea between private enterprise and British steamer lines so lightly protected by subsidy as to take the contest out of the arena of competition.

The commercial and political schemes of Canada and Great Britain are re-enforced by the formidable fortress and naval station erected by the governments of those countries at Esquimault on the island of Vancouver. Certain of the chief officers of the Canadian Pacific have declared that these works are merely intended to serve as defenses against a possible naval attack by Russia. This is manifestly absurd, and is so regarded by military men. Russia sold Alaska to the United States to avoid the risk of having it captured by Great Britain in the event of war, and to avoid warfare with Great Britain in that part of the world. The only object of the Esquimault works is to hold the commercial vantage of this protected and aggressive transportation line across North America, and connecting Liverpool with China and Japan.

In an editorial notice of the assembling of the commercial conference at San Francisco the Evening Bulletin of that city stated the merits of the whole case in a single paragraph: "Briefly stated, all the questions (to be considered) may be resolved in this one, What power is to have the commercial supremacy on that part of the Pacific Ocean bordering the western side of North America?"

This summarizes the whole case which now demands consideration by the Fifty-first Congress of the United States.

I need say nothing further in regard to the San Francisco conference, as copies of its proceedings were sent to each Senator and Representative from the Pacific coast, with the request that they would use every consistent endeavor to place the subject properly before Congress.

CONCLUSION.

And now, in conclusion, I beg leave briefly to recapitulate the main facts which I have brought to your notice, and the points which I have attempted to establish.

The most important feature of our Canadian relationship appears to consist in the fact that the Dominion Government is quite as much an active owner and manager of the traffic interests of canals and railroads as a government. Besides, it controls, for political purposes, a railroad across the continent. For the creation of this aggressive system of transportation the people of Canada have submitted to a burden of debt, as great as that assumed by the people of the United States for the preservation of our union. This Canadian governmental system of transportation encroaches upon the commercial interests of the United States apparently from the very necessities of its being.

Besides this, I have brought to your attention numerous violations of treaties and encroachments upon the commercial interests of the United States. The British Government has no power whatever to redress these wrongs. The Canadians refuse to allow that Government any sort of interference in their internal affairs. Canada has no army or navy, and while paying no tribute to Great Britain, imposes duties on British goods for the protection of Canadian industries, but at the same time looks to Great Britain for military protection and uses her

for the purpose of negotiating treaties, the obligation of which the Dominion Government is unable or unwilling to observe.

All along the line from Nova Scotia to British Columbia the United States has an hundred times more power to restrain Canadian encroachment upon American interests than can possibly be exercised by Great Britain in any peaceful way.

Do not all these facts and considerations clearly prove the folly of any further attempt to cure the evils connected with our Canadian relationship by treaty?

Appropriate legislation by Congress, prompted not by any hostile or even vengeful feelings, will, I believe, be found sufficient for the cure of all the evils of which we now justly complain.

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